Saskatchewan
Finance

Annual Report
2004

SaskEnergy Retiring Allowance Plan

Saskatchewan Centennial 2005

TABLE OF CONTENTS

Letters of Transmittal 2
Introduction 4
Eligibility 4
Benefits 4
Management's Report 5
Actuaries' Report 6
Financial Statements
- Auditor's Report 8
- Statement of Net Assets Available for Benefits, Accrued Benefits Obligation and Surplus 9
- Statement of Changes in Net Assets Available for Benefits 10
- Statement of Changes in Accrued Benefits Obligation 11
- Notes to the Financial Statements 12

Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Madam:

Letter of Transmittal

I have the honour to transmit herewith the Annual Report of the SaskEnergy Retiring Allowance Plan for the year ending December 31, 2004.

I have the honour to be, Madam,

Your obedient servant,

Harry Van Mulligen
Minister of Finance

Saskatchewan
Public Employees
Benefits Agency

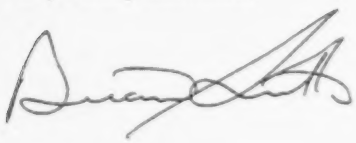
The Honourable Harry Van Mulligen
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the SaskEnergy Retiring Allowance Plan for the year ending December 31, 2004.

Respectfully submitted,



Brian Smith
Executive Director

SaskEnergy Retiring Allowance Plan

Introduction

The SaskEnergy Retiring Allowance Plan is a benefit plan that was carried forward from SaskPower when SaskEnergy was created on June 1, 1988.

The purpose of the SaskEnergy Retiring Allowance Plan is to provide retirement benefits to SaskEnergy and its wholly-owned subsidiary corporations' employees.

SaskEnergy has not established a trust nor does it hold property for the specific purpose of providing benefits to the employees. Benefits are funded out of current operations of SaskEnergy.

SaskEnergy was the administrator of the Plan from June 1, 1988 to January 13, 2004. On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

Eligibility

SaskEnergy currently provides a Retiring Allowance to eligible employees upon retirement from SaskEnergy. To be eligible for the Retiring Allowance an employee must be eligible to retire from the Power Corporation Superannuation Plan, the Public Employees Pension Plan, or the Public Service Superannuation Plan.

As of December 31, 2004, there were 912 (2003 - 917) eligible employees and 11 (2003 - 11) retired employees who received benefits from the Plan during the year.

Benefits

The Retiring Allowance is currently calculated as:

- Four days pay per year of company service for the first 35 years if the employee reached 35 years company service on or prior to January 31, 2000.
- If the employee did not reach 35 years company service before January 31, 2000, then five days pay per year of company service up to 35 years.
- Two days pay per year of service for any company service over 35 years.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the SaskEnergy Retiring Allowance Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the SaskEnergy Retiring Allowance Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the SaskEnergy Retiring Allowance Plan for the year ended December 31, 2004 and the Provincial Auditor's report on these financial statements.

Brian Smith
Executive Director
Public Employees Benefits Agency

Kathy Morgan, Director
Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
April 14, 2005

ACTUARIES' REPORT

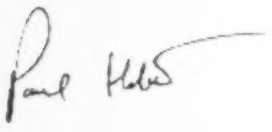
With respect to the SaskEnergy Retiring Allowance Plan, I have prepared an actuarial valuation of the Plan's financial status as of December 31, 2004. This valuation has been prepared for the purpose of determining the actuarial information to be included in the Plan's financial statements as of December 31, 2004.

In my opinion, for the purpose of this actuarial valuation:

- The data on which this valuation is based is sufficient and reliable;
- The assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered an opinion on them; however, in my opinion, the assumptions are, in aggregate not unreasonable, when considering the circumstances of the plan and the purpose of the valuation;
- The actuarial cost methods employed are appropriate; and
- The valuation conforms with the requirements of the Canadian Institute of Chartered Accountants.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses that will be revealed in subsequent valuations.

This actuarial valuation has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.



Paul Hebert
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

April 14, 2005

SASKENERGY RETIRING ALLOWANCE PLAN

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits, accrued benefits obligation and surplus of the SaskEnergy Retiring Allowance Plan as at December 31, 2004 and the statements of changes in net assets available for benefits and changes in accrued benefits obligation for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued benefits obligation and surplus of the Plan as at December 31, 2004 and the changes in net assets available for benefits and changes in accrued benefits obligation for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
April 14, 2005

Fred Wendel, CMA, CA
Provincial Auditor

SASKENERGY RETIRING ALLOWANCE PLAN **STATEMENT 1**
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED BENEFITS OBLIGATION AND SURPLUS

AS AT DECEMBER 31

	2004	(000's)	2003
ASSETS			
Contribution receivable	$12,507		$11,294
Total assets	12,507		11,294
NET ASSETS AVAILABLE FOR BENEFITS	12,507		11,294
Accrued benefits obligation (Note 3)	12,507		11,294
SURPLUS	$ -		$ -

(See accompanying notes to the financial statements)

SASKENERGY RETIRING ALLOWANCE PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

STATEMENT 2

YEARS ENDED DECEMBER 31

	2004	(000's)	2003
INCREASE IN ASSETS			
Contribution receivable	$ 1,646		$ 1,059
Total increase in assets	1,646		1,059
DECREASE IN ASSETS			
Eligible employee terminations	(433)		(419)
Total decrease in assets	(433)		(419)
Increase in net assets	1,213		640
Net Assets Available for Benefits, beginning of the year	11,294		10,654
Net Assets Available for Benefits, end of the year	$12,507		$11,294

(See accompanying notes to the financial statements)

SASKENERGY RETIRING ALLOWANCE PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS OBLIGATION

STATEMENT 3

YEARS ENDED DECEMBER 31

	2004	(000's)	2003
Accrued benefits obligation, beginning of the year	$11,294		$10,654
INCREASE IN ACCRUED BENEFITS OBLIGATION:			
Benefits accrued	466		457
Interest on accrued obligation	577		572
Assumption changes:			
Discount rate	523		258
General salary increase	-		(516)
Actuarial loss	80		288
	1,646		1,059
DECREASE IN ACCRUED BENEFITS OBLIGATION:			
Eligible employee terminations	(433)		(419)
	(433)		(419)
Accrued benefits obligation, end of year	$12,507		$11,294

(See accompanying notes to the financial statements)

SASKENERGY RETIRING ALLOWANCE PLAN
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004

1. Description of the Plan

The SaskEnergy Retiring Allowance Plan is a benefit plan that was carried forward from the Saskatchewan Power Corporation when SaskEnergy Incorporated (SaskEnergy) was created on June 1, 1988. The purpose of the SaskEnergy Retiring Allowance plan is to provide retirement benefits to SaskEnergy and its wholly-owned subsidiary corporations' employees (the Participants).

SaskEnergy has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of SaskEnergy.

The Plan is not registered under the *Income Tax Act (Canada)*.

SaskEnergy managed the Plan from June 1, 1988 to January 13, 2004. On January 13, 2004, an Order in Council designated the Plan as a benefit program to be established, operated, administered and managed by the Public Employees Benefits Agency (PEBA). PEBA has an agreement with SaskEnergy setting out specific administration services that SaskEnergy will provide.

The following description is a summary of the contents of the Plan. For more complete information, reference should be made to the Plan document.

Eligibility

Under the Plan, SaskEnergy's permanent employees are eligible for benefits upon termination of employment with SaskEnergy if they reach their benefit eligibility date prior to termination. The benefit eligibility date is the date when an employee becomes eligible to retire. If an active employee dies prior to retirement, the Retiring Allowance is paid to the employee's estate as a death benefit. Employees who are terminated for cause are not eligible.

As of December 31, 2004, there were 912 (2003 – 917) participants in the Plan and 11 (2003 – 11) terminated participants who received benefits from the Plan during the year.

Benefits

Employees meeting the eligibility criteria receive a lump sum payment equal to a) four days pay at their retirement salary rate multiplied by the first 35 years of service if 35 years of service was reached prior to January 31, 2000 or b) five days pay at their retirement salary rate multiplied by years of service to a maximum of 35 years, if 35 years was not reached prior to January 31, 2000 and c) equal to two days pay multiplied by years of service for greater than 35 years (as defined in the Plan document).

2. Significant Accounting Policies

These financial statements were prepared in accordance with Canadian generally accepted accounting principles.

3. Accrued Benefits Obligation

The accrued benefits obligation of the Plan is receivable from SaskEnergy. The present value of the accrued benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of SaskEnergy's management. Actuarial (gains) losses result from changes in actuarial assumptions and are recognized as an increase or decrease in the statement of changes in accrued benefits obligation.

An actuarial valuation was performed by AON Consulting Inc. as at December 31, 2004 and December 31, 2003 to determine the actuarial present value of the accrued benefits obligation.

The accrued benefits obligation is based on certain assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The actuarial valuation is based on the following assumptions:

	2004	2003
Discount Rate	4.5%	5.0%
Inflation Rate	3.0%	3.0%
Salary Increase Rate	3.0%	3.0%
Termination Rate up to age 50	4.0%	4.0%

Retirement
- Members of the Power Corporation Superannuation Plan and the Public Service Superannuation Plan – Earlier of age 60 or when 35 years of service is attained
- Members of the Public Employees Pension Plan – Age 60

The following illustrates the effect of changes in these assumptions on the accrued benefits obligation:

Assumption	Change Made	Change in Obligation at December 31, 2004 (000's)	Percentage change in Obligation
Annual Termination Rate	Plus 0.5%	(165)	(1.3%)
	Minus 0.5%	172	1.4%
Discount Rate	Plus 0.5%	(523)	(4.2%)
	Minus 0.5%	563	4.5%
General Salary Increase	Plus 0.5%	568	4.5%
	Minus 0.5%	(533)	(4.3%)

The actuarial present value of the accrued benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is subject to measurement uncertainty and is not practicable.

4. Related Parties

Included in these financial statements are transactions with SaskEnergy who is related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from SaskEnergy at no charge. Additionally, PEBA provides administrative services to the Plan for an administration fee which is paid by SaskEnergy.